

November 2005

# D.C. CHARTER SCHOOLS

## Strengthening Monitoring and Process When Schools Close Could Improve Accountability and Ease Student Transitions



Highlights of [GAO-06-73](#), a report to congressional committees

## Why GAO Did This Study

D.C. has a larger percentage of students in charter schools than any state. To help oversee D.C. charter schools, Congress established two authorizers—the Board of Education (BOE), which has an Office of Charter Schools responsible for oversight, and the independent Public Charter School Board (PCSB). Congress required the GAO to conduct a study of the authorizers.

This report—which completes GAO's May 2005 study—examines the (1) authorizers' resources, (2) oversight practices, and (3) actions taken once charter schools close. GAO examined BOE and PCSB monitoring reports, revenue and expenditure documents, and closure procedures.

## What GAO Recommends

GAO recommends that the BOE Office of Charter Schools implement a risk-based oversight system to target monitoring to new and at risk charter schools. GAO recommends that the BOE create a routine process to review data collected by its Office of Charter Schools. GAO also recommends that the BOE, the PCSB, and D.C. Public Schools jointly establish a process to guide their actions after schools close, including a system for the secure transfer and maintenance of student records. BOE officials noted that they were taking actions that would address GAO's recommendations. PCSB comments supported GAO's third recommendation.

[www.gao.gov/cgi-bin/getrpt?GAO-06-73](http://www.gao.gov/cgi-bin/getrpt?GAO-06-73).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Marnie Shaul at (202) 512-7215 or [shaulm@gao.gov](mailto:shaulm@gao.gov).

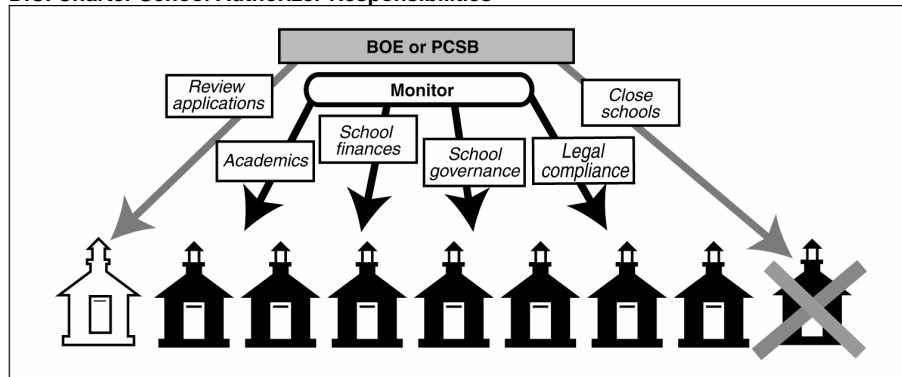
## D.C. CHARTER SCHOOLS

# Strengthening Monitoring and Process When Schools Close Could Improve Accountability and Ease Student Transitions

## What GAO Found

The two D.C. charter school authorizers differed in revenue, number of staff overseeing schools, and use of D.C. services, but both spent their funds to support oversight activities. The BOE Office of Charter Schools had less revenue and fewer staff overseeing fewer schools than PCSB. It fulfilled its oversight responsibilities by using some D.C. Public School services and also occasionally calling upon D.C. agencies for financial operations reviews. The PCSB had a larger staff that oversaw more schools and had revenue more than two times larger than that of the BOE Office of Charter Schools. The PCSB did not use any D.C. Public Schools services, but did refer one school to a D.C. agency for further examination. Despite these differences, both authorizers used most of their fiscal year 2004 expenses for in-house board operations, such as personnel, and also hired consultants to help monitor charter schools.

### D.C. Charter School Authorizer Responsibilities



Source: GAO analysis and Art Explosion.

Both D.C. authorizers provided technical assistance to schools and had similar oversight practices, such as tracking school academics and finances, but took different approaches. The BOE Office of Charter Schools, with only 3 staff, provided the same level of oversight to all of its 16 schools and thereby limited its ability to target additional resources to schools requiring more assistance. Moreover, when the BOE Office of Charter Schools gave its Board monitoring information on its charter schools, the Board—also responsible for the city's 167 traditional schools—did not regularly review that information. In contrast, the PCSB targeted additional oversight on new charter schools and those where problems had been identified. The PCSB also granted more flexibility to well-managed schools. Although problems persisted at some schools, the PCSB's targeted system enabled it to focus more attention on these schools.

Once D.C. charter schools closed, both authorizers took a number of actions to safeguard student records and public assets and inform parents of their children's educational options; however, issues arose that both authorizers found difficult to adequately address, particularly when the closed school was insolvent. Managing and safeguarding student records was the most expensive and challenging aspect of closing schools, authorizers reported. Moreover, the authorizers' closure processes were different each of the 9 times charter schools closed, which limited opportunities to build on past experiences.

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## Abbreviations

BOE	Board of Education
PCSB	Public Charter School Board
IDEA	Individuals with Disabilities Education Act
FY	fiscal year

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United States Government Accountability Office  
Washington, DC 20548

November 17, 2005

The Honorable Sam Brownback  
Chairman  
The Honorable Mary L. Landrieu  
Ranking Minority Member  
Subcommittee on the District of Columbia  
Committee on Appropriations  
United States Senate

The Honorable Joe Knollenberg  
Chairman  
The Honorable John W. Olver  
Ranking Minority Member  
Subcommittee on Transportation, Treasury, and Housing and Urban  
Development, the Judiciary, District of Columbia, and Independent  
Agencies  
Committee on Appropriations  
House of Representatives

When the school doors opened for the 2004-2005 school year in the District of Columbia, over a fifth of all students were attending charter schools. The District of Columbia has a larger percentage of students enrolled in such schools than any state. Six new charter schools opened in the 2004-2005 school year alone. To help fund the growing number of charter schools, Congress designated \$13 million specifically for D.C. charter schools in the 2005 D.C. Appropriations Act.

Charter schools are public schools that are exempt from certain state and local regulations in exchange for increased accountability for improving student achievement. Charter school authorizers—the entities that approve and oversee charter schools—are responsible for ensuring that charter schools achieve expected outcomes and comply with applicable laws. The District of Columbia School Reform Act, as amended, (D.C. School Reform Act) established two entities, the D.C. Board of Education (BOE) and the D.C. Public Charter School Board (PCSB), as charter school authorizers. The law requires that the authorizers approve and oversee charter school implementation. Although the law gives both authorizers similar responsibilities, each has some latitude in how it implements these responsibilities. As an independent agency, the PCSB devotes all of its resources to charter schools, while the BOE, which also

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has responsibility for D.C.'s traditional public schools, has established an Office of Charter Schools to monitor its charter schools. As interest in charter schools grows among parents, questions have been raised about how the District oversees its charter schools.

As required by the 2005 D.C. Appropriations Act, we examined the performance of D.C. charter school authorizers in their oversight roles. In May 2005, we published the interim findings of our study in *Charter Schools: Oversight Practices in the District of Columbia (GAO-05-490)*, which outlined the legal responsibilities of the D.C. authorizers. To complete our study, we are addressing the following questions in this report: (1) what resources (financial and otherwise) do the D.C. authorizers have and how have they used these resources; (2) how have the D.C. authorizers provided oversight and technical assistance to charter schools after they have opened; and (3) what actions did the authorizers take once charter schools closed to help students transition to new schools, protect student records, and safeguard public assets.

To analyze the authorizers' resources and to learn how they have used them, we examined their budgets, revenues, and expenses for fiscal years 2003 and 2004. Our budget analysis is based on the amount of funds each authorizer received per school rather than per student, because the authorizers provided services that generally benefited schools as a whole, not individual students. We also examined the authorizers' use of their staff. To analyze the authorizers' provision of oversight, we examined monitoring reports, audits, and related documentation from 8 of the 42 D.C. charter schools—4 from each authorizer. These eight schools were selected to include variety in school performance, demographics, number of years in operation, and the schools' history of sanctions. Additionally, we convened two focus groups of charter school administrators (one focus group per authorizer) to substantiate and augment information the authorizers provided. Appendix I provides our methodology and additional information on the schools selected for our document reviews and focus groups. To analyze the procedures in place once charter schools close, we examined the actions the authorizers took to address issues arising from the closure of the nine charter schools that have lost their charters as of September 2005. In these cases, we examined monitoring reports and other documents related to the closures and interviewed authorizer staff and board members. Finally, we examined the authorizers' use of services available to them by interviewing officials of District agencies, including D.C. Public Schools, the Office of the Chief Financial Officer, the Office of the D.C. Auditor, and the D.C. Office of Inspector General.

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We conducted our work between January and November 2005 in accordance with generally accepted government auditing standards.

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## Results in Brief

The D.C. authorizers differed in the amount of funding, staff, and their use of available D.C. government services, but spent their financial resources on similar activities. The BOE Office of Charter Schools received less in local funds, collected less in administrative fees from the schools it oversaw, and had fewer staff per school. To help fulfill its oversight responsibilities, the BOE Office of Charter Schools used test score analysis provided by D.C. Public Schools and referred four schools to other D.C. agencies for further examination. The PCSB's total revenue (\$1,349,916 in fiscal year 2004) was more than twice that of the BOE Office of Charter Schools. It received more in local funds and collected more in fees from schools than its counterpart. It oversaw, however, more charter schools and employed a larger staff. Unlike the BOE Office of Charter Schools, the PCSB has not used D.C. Public School services, but has referred one school to a D.C. agency for further examination. Despite these differences, both D.C. authorizers spent their financial resources to support oversight activities, with the majority of funds being spent on in-house personnel and operational expenses. Both authorizers also hired consultants to assist with school monitoring, as well as application review and school closures.

Both D.C. authorizers provided technical assistance and oversaw charter schools by tracking schools' academic achievement and financial condition, but their approaches to oversight differed. With respect to technical assistance, both authorizers provided some aid to charter schools, including helping schools improve their academic programs and meet No Child Left Behind Act requirements. While the BOE and PCSB had similar oversight practices—both D.C. authorizers visited schools at least once annually, monitored schools' test scores, and reviewed and approved school budgets and expenses—the BOE Office of Charter Schools provided the same level of oversight to all of its 16 schools regardless of risk. This approach sometimes limited its ability to address the problems that its oversight revealed. In addition, BOE Board members told us that they did not regularly review information collected by the BOE Office of Charter Schools. By contrast, the PCSB targeted additional oversight to new charter schools and those where problems had been identified. For example, the PCSB conducted pre-opening visits only for new schools or schools in a new location, as opposed to visiting all schools each fall. Additionally, the PCSB targeted extra financial oversight to new schools or schools with problems. Although some PCSB schools

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have had problems, the PCSB's targeted monitoring approach has allowed it to more readily identify problems and direct monitoring activities to those schools.

Once charter schools closed, both D.C. authorizers undertook a wide range of activities to safeguard student records and public assets and inform parents of their children's school options; however, issues arose during closings that both found difficult to adequately address, particularly when the closed school was financially insolvent. The D.C. authorizers used their staff and financial resources to oversee school closings as well as handle closing logistics, such as inventorying assets and communicating with parents. Both D.C. authorizers reported managing and safeguarding student records was the most expensive and challenging aspect of closing schools. The D.C. authorizers reviewed student records for completeness, collected records from closing schools, distributed records to new schools, and, in instances where students were no longer continuing their education, stored student records. Although D.C. law requires that student records become the property of D.C. Public Schools when a charter school closes, D.C. Public Schools officials were unaware of this responsibility. While both D.C. authorizers provided various types of assistance when schools closed, the procedures following a charter school closure varied in all nine instances. Neither D.C. authorizer has followed the same closure process, and both have closed each school differently.

To improve D.C. charter schools oversight, we recommend that the BOE Office of Charter Schools implement a risk-based oversight system that targets monitoring resources to new charter schools and those identified at risk. Additionally, we recommend that the BOE create a routine and timely process to review the monitoring information collected by its Office of Charter Schools. We also recommend that the BOE Office of Charter Schools, the PCSB, and D.C. Public Schools establish a routine process to use once schools are closed, including, among other things, a system for the secure transfer and maintenance of student records.

In comments on a draft of this report, the BOE Office of Charter Schools Executive Director noted that the BOE was taking actions that would address the recommendations in this report. The PCSB Executive Director also provided comments on a draft of this report. These comments supported our recommendation that the BOE Office of Charter Schools, the PCSB, and D.C. Public Schools establish a routine process for the secure transfer and maintenance of records when schools close.



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## Background

Charter schools are public schools established under contracts that grant them greater levels of autonomy from certain state and local laws and regulations in exchange for agreeing to meet certain student performance goals. Charter schools are often exempt from certain state and school district education laws and in some states may receive waivers or exemptions from other laws; however, charter schools must comply with select laws, including those pertaining to special education, civil rights, and health and safety conditions. While charter schools are free from many educational regulations, they are accountable for their educational and financial performance, including the testing requirements under the No Child Left Behind Act.

A wide range of individuals or groups, including parents, educators, nonprofit organizations and universities, may apply to create a charter school. Charter schools are typically nonprofit organizations and, like other nonprofits, are governed by a board of trustees. The board of trustees, which is initially selected by the school founders, oversees legal compliance, financial management, contracts with external parties, and other school policies. School trustees are also responsible for identifying existing and potential risks facing the charter school and taking steps to reduce or eliminate these risks.

Charters to operate a school are authorized by various bodies, depending on the state's laws, but may include local school districts, municipal governments, or special chartering boards. According to a GAO survey, about half of the charter school states and the District of Columbia allowed more than one authorizer, providing charter school founders an opportunity to find support for a wider range of instructional approaches or educational philosophies than might be possible with a single authorizer.<sup>1</sup> Many charter school authorizing bodies have formal procedures to monitor charter school performance in areas such as student performance, compliance with regulations, financial record keeping, and the provision of special education services. If charter schools do not meet expected performance measures, authorizers may revoke a school's charter or decide not to renew the charter when it expires, resulting in the charter school's closure. Since the first charter school

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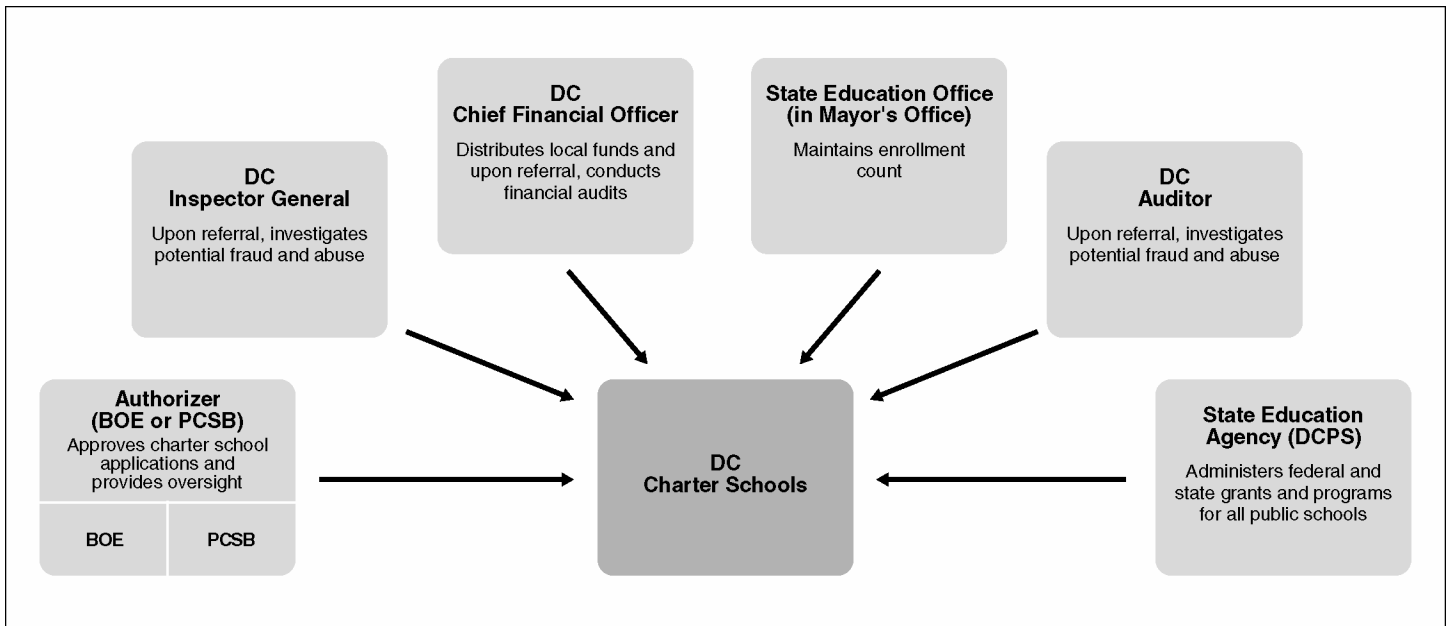
<sup>1</sup>See *Charter Schools: To Enhance Education's Monitoring and Research, More Charter School-Level Data Are Needed*, GAO-05-5 (Washington, D.C.: Jan. 12, 2005). This report presented the results of a survey that asked states to report the number and type of authorizers allowed in school year 2002-2003, among other information.

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opened in Minnesota in 1992, about 350 charter schools—of the approximately 3,700 that opened—have closed as of April 2005.

The D.C. School Reform Act, a federal law that applies only to D.C., designated two charter school authorizers—the D.C. Board of Education (BOE) and the D.C. Public Charter School Board (PCSB). Both authorizers have similar responsibilities, but are structured differently. While the PCSB was created as an independent board with the sole purpose of approving and overseeing charter schools, the BOE oversees both the 167 traditional public schools that enrolled about 59,000 students in the 2004-2005 school year and charter schools. To effectively manage its oversight responsibilities for both traditional public schools and charter schools, the BOE created an internal Office of Charter Schools to manage its functions as an authorizer. In fiscal years 2003 and 2004, the BOE generally determined how much local funding to allocate to each of the Board's functions, including charter schools, while Congress determined the level of PCSB's local funds through its D.C. Appropriations Act. In addition to the two authorizers, several D.C. offices have responsibilities related to the District's charter schools, including the D.C. Inspector General, the D.C. Auditor, the D.C. Chief Financial Officer, the Mayor's State Education Office, and the State Education Agency, which is part of the D.C. Public School system (see fig. 1).

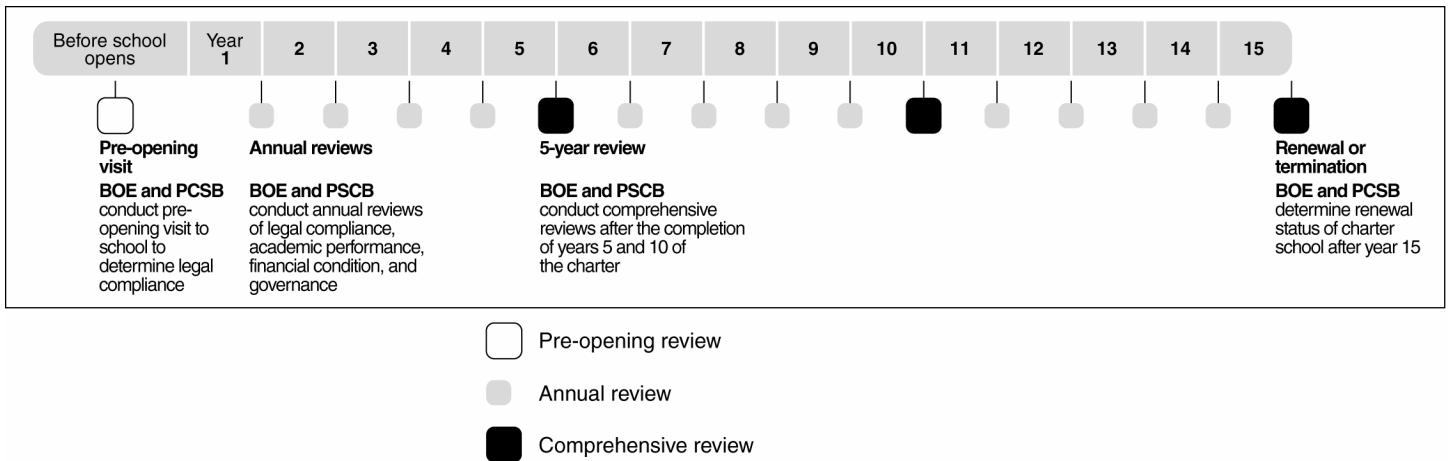
**Figure 1: D.C. Offices with Responsibilities to Charter Schools**



Source: GAO.

The D.C. School Reform Act allows the BOE and the PCSB to grant up to 10 charters each per year. Each charter authorizes a school for 15 years, at which point the charter may be renewed if the authorizer approves. To date, no school has reached the end of its 15-year term. After granting charters to schools, each authorizer is responsible for monitoring those schools. Under the D.C. School Reform Act, the BOE and PCSB are required to monitor charter schools' academic achievement, operations, and compliance with applicable laws. Both authorizers conduct pre-opening visits to new schools and subsequently conduct annual monitoring visits and data reviews to meet this requirement (see fig. 2). All schools granted a charter in D.C. must create an accountability plan that outlines the school's 5-year academic goals. Accountability plans become part of each school's charter and are used as guides for the authorizers to monitor academic progress. Additionally, under the D.C. School Reform Act, the D.C. authorizers must conduct more comprehensive reviews of charter schools every 5 years to determine if the schools should be allowed to continue operating. Charter schools that are not meeting academic performance goals may be closed following a 5-year review. Charter schools may be closed for other reasons, such as financial mismanagement or legal noncompliance, at any time.

**Figure 2: Overview of D.C. Authorizers' Monitoring Process**



Source: GAO.

As we noted in our May 2005 report, the BOE first began chartering schools in 1996, and the PCSB chartered its first schools in 1997.<sup>2</sup> As of the 2004-05 school year, 23 BOE and 27 PCSB charter schools had opened.<sup>3</sup> However, between 1998 and September 2005, nine charter schools closed. The BOE has revoked seven charters, and two PCSB charter schools closed; one voluntarily released its charter, and the other had its charter revoked at the end of the 2004-2005 school year. Financial reasons contributed to the closing of most of the schools that had their charters revoked. During the 2004-05 school year, 16 BOE schools and 26 PCSB were in operation. As of January 2005, BOE charter schools enrolled 3,945 students, and PCSB charter schools enrolled 11,555 students.

The two D.C. authorizers monitored a diverse set of schools (see table 1). These schools enrolled students at all grade levels, from pre-kindergarten to high school and offered varied instructional and academic models. For example some schools had a particular curricular emphasis, such as math and science, art, or foreign language, while other charter schools focused on specific populations, such as students with learning disabilities, students who have dropped out or are at risk of doing so, youth who have

<sup>2</sup>For more information on GAO work concerning charter schools and D.C. public schools, please see related GAO products at the end of this report.

<sup>3</sup>Eleven additional charter schools opened during the 2005-2006 school year.

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been involved in the criminal justice system, and adults. Additionally, the charter schools pursued a variety of school-specific goals that were aligned with their missions or the student populations they served. The D.C. School Reform Act requires the authorizers to monitor schools' annual and 5-year progress toward these goals. Some examples of goals included in school charters are improved attendance rates and increased parental satisfaction. Other goals varied widely. For example, Maya Angelou, a high school serving at-risk youth, included among its 5-year goals both an 85 percent graduation rate, as well as a significant reduction in violent behavior by students. JOS-ARZ, a high school serving students with emotional and behavioral problems, included as a goal that at least half of its students would acquire skills that would allow them to function independently and would earn a high school diploma or the equivalent.

**Table 1: Characteristics of D.C. Charter Schools, School Year 2005-2006**

School	Year opened	Grade level <sup>b</sup>	Enrollment <sup>c</sup>	School mission, curriculum, <sup>a</sup> or target population
<b>BOE schools</b>				
Barbara Jordan	2002	5-8	204	Critical thinking, character, and leadership education
Booker T. Washington	1999	9-12 and adult	229	Career-focused school with emphasis on building trades
City Lights	2005	9-12	65 <sup>d</sup>	Students with special needs
Children's Studio	1997	preschool-6	111	Arts focus
Community Academy	1998	preschool-8	944	Community-centered learning model
Elsie Whitlow Stokes Community Freedom	1998	K-6		Bilingual education
Hyde Leadership Academy	1999	K-12	735	College preparatory, character education, and service learning
Integrated Design & Electronics Academy	1998	7-12	367	Career-focused school; junior ROTC program
Ideal Academy	1999	preschool-8	260	Math, science, and technology focused program
JOS-ARZ Therapeutic	2000	9-12	49	Residential school for students with emotional or behavioral disorders
Kamit Institute for Magnificent Achievers	2001	9-12	144	Cultural-based education with an emphasis on Africa
Latin American Montessori Bilingual	2003	preschool - preK	59	Bilingual education
Mary McLeod Bethune	2004	preK-4	92	Features foreign languages and the arts
Next Step	1998	ungraded; age 16 and older	75	Dropout prevention or remediation
Options	1996	5-8	215	Alternative learning environment for underachieving students using project-based approach
Roots	1999	preK-8	109	Instructional emphasis on African heritage and culture
Washington Academy	2005	K-6	340 <sup>d</sup>	Focuses on academics and technology
Young America Works	2004	9-10	102	Vocational/technical career-based school
<b>PCSB schools</b>				
Academia Bilingue de la Comunidad	2005	6-7	150 <sup>d</sup>	Bilingual education
Academy for Learning Through the Arts	2005	K-6	100 <sup>d</sup>	Arts focus
Appletree Early Learning	2005	preschool-preK	36 <sup>d</sup>	Focus on literacy skills

School	Year opened	Grade level <sup>b</sup>	Enrollment <sup>c</sup>	School mission, curriculum, <sup>a</sup> or target population
<b>BOE schools</b>				
Arts and Technology Academy	1999	preK-6	617	Arts and humanities education, technology education
Bridges	2005	preschool-preK	72 <sup>d</sup>	Individualized education for children with and without special needs
Capital City	2000	preK-8	236	Project-based curriculum
Carlos Rosario International	1998	10-adult	1059	Adult education
Cesar Chavez PCHS for Public Policy	1998	6-12	469	Public policy focus
D.C. Bilingual	2004	preschool-1	115	Bilingual education
D.C. Preparatory Academy	2003	4-7	153	College preparatory
Eagle Academy	2003	preschool-preK	130	Individual focus, active learning model
Early Childhood Academy	2005	preschool-preK	116 <sup>d</sup>	Literacy, numeracy, and cognitive and social skills emphasized
E. L. Haynes	2004	preschool-3	138	Math and science focus
Friendship	1998	preK-12	3071 <sup>e</sup>	Curriculum that emphasizes basic learning using technology
Hope Community	2005	preK-5	150 <sup>d</sup>	Broad-based cultural knowledge and character education
Howard Road Academy	2001	preK-7	571	Arts and humanities education
Howard University Middle School of Mathematics & Science	2005	6	120 <sup>d</sup>	Math and science focus
KIPP D.C.	2001	5-8	317 <sup>f</sup>	College preparatory with extended day and year
Marriott Hospitality	1999	9-12	146	College-preparatory school with emphasis on hospitality industry
Maya Angelou	1998	9-12	176	Adjudicated and at-risk youth
Meridian	1999	preK-8	583	Features frequent testing and student portfolios
Paul	2000	6-9	573	Converted public school focused on general academic skills and character education
Potomac Lighthouse	2005	preK-3	168 <sup>d</sup>	Arts focus
New School for Enterprise & Development	2000	9-12	437	Career-focused school featuring business information, technology and the arts
Sasha Bruce	2001	7-11	278	Project-based curriculum
School for Arts in Learning	1998	K-9	118	Arts focus for students with learning disabilities
School for Educational Evolution and Development	1998	7-12	320	Boarding school
Thurgood Marshall Academy	2001	9-12	224	Law-related focus

School	Year opened	Grade level <sup>b</sup>	Enrollment <sup>c</sup>	School mission, curriculum, <sup>a</sup> or target population
<b>BOE schools</b>				
Tree of Life Community	2000	preK-8	222	Emphasizes literacy skills for students performing below grade level
Tri-Community	2002	preK-5	216	Focus on literacy skills
Two Rivers	2004	preK-4	151	Project-based curriculum
Washington Mathematics, Science & Technology	1998	9-12	342	Math and science focus; ROTC program
William E. Doar, Jr.	2004	preK-6	153	Performing arts focus
YouthBuild	2005	ages 16-24	55 <sup>d</sup>	Career-focused school emphasizing vocational training, employability skill-building, and community service

Source: GAO analysis of D.C. charter school documents.

<sup>a</sup>An individual school's curriculum may combine elements from various sources; for the schools shown, the table highlights one or more aspects of the curriculum.

<sup>b</sup>Reflects grade levels that were actually being served in September 2005. Individual schools' charters may allow schools to gradually add grades over time.

<sup>c</sup>Reflects actual enrollment as of January 2005. Individual schools' charters may allow schools to increase enrollment over time up to a specific limit or ceiling.

<sup>d</sup>Figure represents projected enrollment. School opened in September 2005.

<sup>e</sup>Figure does not include the Friendship Southeast Campus, which opened under the same charter in fall 2005 with a projected enrollment of about 350.

<sup>f</sup>Figure does not reflect school expansion in fall 2005, which was projected to add 80 new students to the number already enrolled.

D.C. charter schools receive funding from a wide range of sources. Charter schools in D.C. receive funding on a per-pupil basis using the same allocation formula for operating expenses that is applied to traditional D.C. public schools. In the 2004-2005 school year, charter and traditional public schools in D.C. received \$6,904 to \$8,077 for a regular education student depending on grade level. D.C. charter schools received an additional allotment—equal to \$2,380 per non-residential student and \$6,426 per residential student—to help cover the cost of school facilities.<sup>4</sup> In addition to the per-pupil allotments, charter schools in D.C., like all public schools that meet federal criteria, are eligible for other federal

<sup>4</sup>Unlike traditional public schools, charter schools are responsible for identifying and securing appropriate spaces in which to operate. D.C. charter schools are responsible for maintaining their facilities. However, upon mutual agreement, D.C. Public Schools may provide some facilities maintenance services to charter schools and bear some of the costs of such services.



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funds, such as funding under the No Child Left Behind Act and the Individuals with Disabilities Education Improvement Act.<sup>5</sup> A few charter schools also receive additional funding from foundation grants and other fundraising efforts.

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### **D.C. Authorizing Boards Differed in Revenue and Their Use of D.C. Government Services, but Spent Their Financial Resources on Similar Oversight Activities**

The two D.C. authorizers' revenue, staff, and use of available D.C. services differed, but the authorizers spent their funds on similar activities. The BOE Office of Charter Schools had less revenue and fewer schools and staff to oversee them than the PCSB. To help fulfill its oversight responsibilities, the BOE Office of Charter Schools occasionally called upon D.C. agencies for financial operations reviews and used some D.C. Public School services. The PCSB, which had more staff and oversaw more schools, had total revenue that was more than twice that of the BOE Office of Charter Schools' and employed a larger staff. The PCSB also received more revenue per school than the BOE Office of Charter Schools. Unlike the BOE Office of Charter Schools, the PCSB did not use D.C. Public Schools services, which were available to it, but did use D.C. government services on one occasion. Despite these differences, both authorizers used their financial resources similarly. Both spent most of their fiscal year 2004 funds on board operations, including personnel costs, and their remaining funds on consultants to help with monitoring, application review and school closures.

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### **BOE Office of Charter Schools Received Less Funding and Had Fewer Staff to Oversee Fewer Schools Than PCSB, but Used More Available Government Services**

The BOE Office of Charter Schools received less funding from its two main sources of revenue—the local funds allocated to it by the BOE and the administrative fees it was permitted to charge the schools it oversaw—than the corresponding amounts received by the PCSB (see table 2). The BOE Office of Charter Schools received \$307,340 from the BOE in fiscal year 2004, less than half the amount of local funds the PCSB received in accordance with congressional directives, and collected \$251,623 in fees from the schools it oversaw. The BOE Office of Charter Schools collected less in fees from schools than the PCSB, because these fees are based on the number of students per school, and the PCSB oversaw more schools

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<sup>5</sup>The nation's primary special education law, the Individuals with Disabilities Education Act (IDEA), was reauthorized in 2004 under this new name.

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with more students. In total revenue, the BOE Office of Charter Schools received approximately \$38,000 per school in fiscal year 2004.<sup>6</sup>

In fiscal years 2003 and 2004, the BOE Office of Charter Schools had three staff, including its Executive Director, to oversee its schools, which was less than a third the staff of the PCSB's. In October 2005, the new budget for the BOE made possible the hiring of three new staff for its Office of Charter Schools. The BOE Office of Charter Schools supplemented its staff by using consultants to help oversee charter schools. In fiscal year 2004, the Office of Charter Schools spent \$121,502 on consultants in areas such as reviewing applications, conducting annual monitoring visits, and assisting with school closings. Consultants with issue area expertise also provided specialized assistance associated with monitoring schools' financial condition and special education compliance. The BOE Office of Charter Schools spent \$28,589 per school on both in-house personnel and consultants in fiscal year 2004, which was 16 percent less than the PCSB spent.

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<sup>6</sup>We focused our analysis on per school revenue because the authorizers' services were not targeted to individual students and instead generally benefited entire schools. For example, the authorizers monitored schools' financial condition, academic programs, compliance with laws, and governance structures, which were generally school—and not student—based. However, some aspects of monitoring, such as student record review, may have been affected by the number of students enrolled, and the PCSB did have a higher total and median school enrollment.

**Table 2: Authorizer Revenue, Fiscal Years 2004 and 2003**

	BOE Office of Charter Schools (unaudited) <sup>a</sup>		PCSB (audited) <sup>b</sup>	
	FY 2004	FY 2003	FY 2004	FY 2003
Carryover from prior year	11,773	0	106,408	275,661
<b>Revenue</b>				
Local funds	\$307,340	\$300,000	\$660,000	\$589,000
Fees from schools	251,623	127,800	527,403	382,819
Grants <sup>c</sup>	0	0	43,961 <sup>d</sup>	30,680
Miscellaneous <sup>e</sup>	0	0	12,144	9,333
<b>Total</b>	<b>\$570,736</b>	<b>\$427,800</b>	<b>\$1,349,916</b>	<b>\$1,287,493</b>

Source: GAO analysis of data submitted by BOE Office of Charter Schools and PCSB.

<sup>a</sup>The D.C. School Reform Act does not require the BOE Office of Charter Schools to obtain an annual financial statement audit.

<sup>b</sup>The D.C. School Reform Act requires the PCSB to obtain an annual financial statement audit.

<sup>c</sup>Grants reflects revenue received from foundations and other sources.

<sup>d</sup>This figure does not include \$147,405, which the PCSB received as the initial installment of a \$1.7 million federal grant to support both the PCSB's and the BOE Office of Charter Schools' efforts to oversee their charter schools' compliance with the No Child Left Behind Act. We did not include this amount because, by mutual agreement, the PCSB has managed the grant, which will benefit both authorizers and their schools.

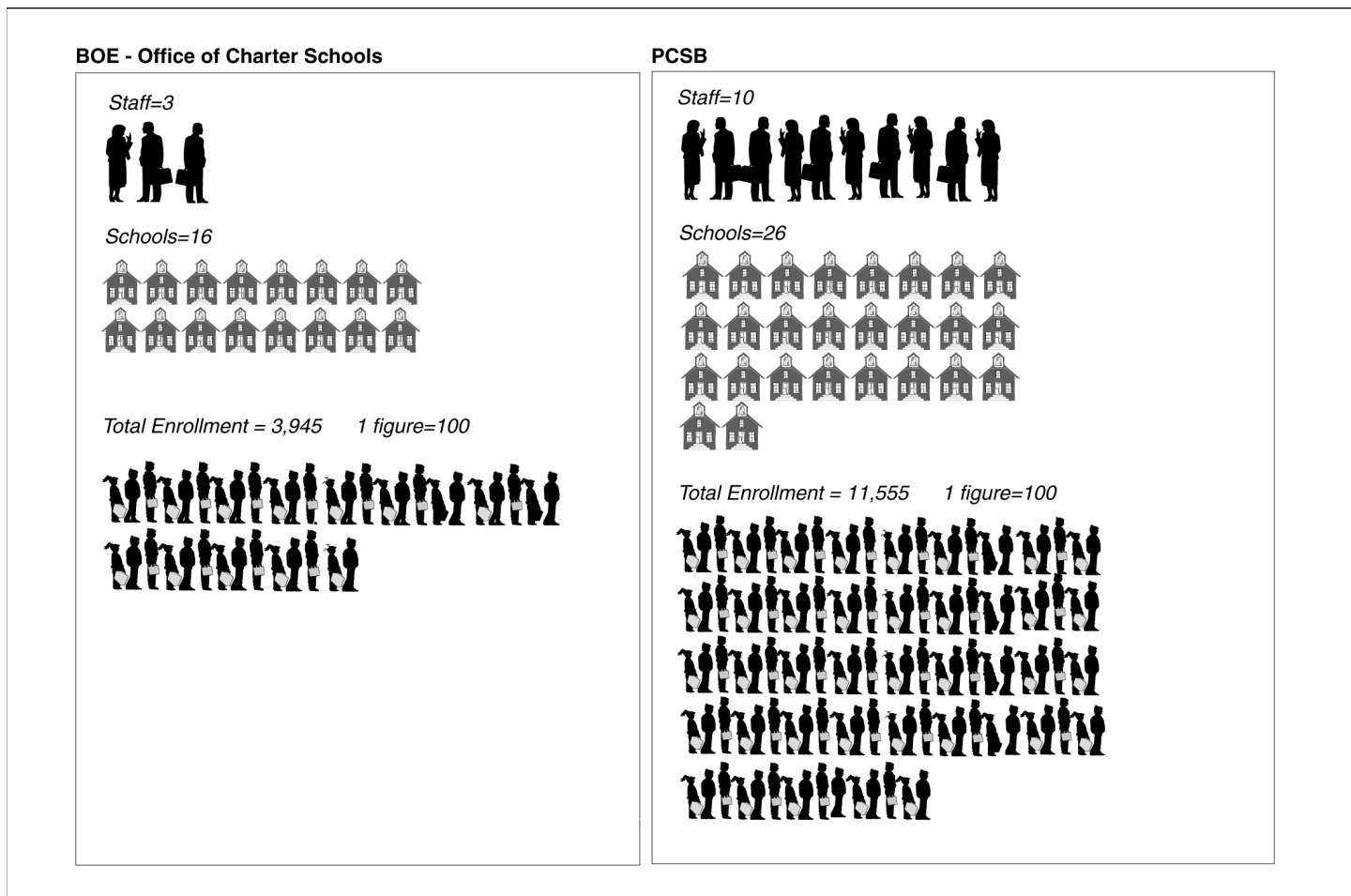
<sup>e</sup>Miscellaneous includes revenue from areas such as reimbursed parking fees and interest income.

In addition to using consultants, the BOE Office of Charter Schools augmented its financial and staff resources by leveraging services provided by other D.C. government agencies.<sup>7</sup> On four occasions, the BOE Office of Charter Schools referred schools to the D.C. Auditor or the Office of the Chief Financial Officer for financial operations reviews. For example, in 2002, the BOE Office of Charter Schools asked the Office of the Chief Financial Officer to review the internal controls of one school. Additionally, the BOE Office of Charter Schools referred one school to a special interagency team that included the D.C. Department of Mental Health and the D.C. Child and Family Services Agency, to review the level of services provided to children. For the past 2 years, D.C. Public Schools has provided the BOE Office of Charter Schools with some test score

<sup>7</sup>No cost estimate has been computed for the services that the BOE Office of Charter Schools received from outside entities, because the Office does not assign a value to these services.

analysis and school performance data, which the office used to determine if its charter schools were in compliance with No Child Left Behind Act requirements.

**Figure 3: Authorizer Staffing Levels and Schools Overseen, School Year 2004-2005**



Source: GAO analysis and Art Explosion.

Note: This figure represents data as of January 2005, which corresponds to fiscal year 2005. Our budget analysis was based on fiscal year 2004 data, as these were the most recent data available. During fiscal year 2004, the BOE Office of Charter Schools had 3 staff, 15 schools, and a total enrollment of 3,646, while the PCSB had 9 staff, 22 schools, and a total enrollment of 10,097.

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## PCSB Received More Funding and Had More Staff to Oversee Schools, and Used Fewer Available Government Services

In fiscal years 2003 and 2004, the PCSB received more revenue, had a larger staff and oversaw more schools than the BOE Office of Charter Schools. As an agency independent from the D.C. Board of Education, the PCSB received \$660,000 in local funds in fiscal year 2004, as required by Congress. Additionally, the PCSB collected over \$500,000 in fees from schools that year and in total received \$61,360 per school. The PCSB used its revenue, which was more than double that of the BOE Office of Charter Schools, in part to employ nine people to oversee 22 charter schools in fiscal year 2004. The PCSB also had other revenue sources that the BOE Office of Charter Schools did not, such as grants and interest income. Like the BOE Office of Charter Schools, the PCSB supplemented its staff by using consultants. In fiscal year 2004, the PCSB spent \$134,756 on consultants to help with charter school oversight, such as reviewing applications, conducting annual monitoring visits, and assisting with school closings. PCSB consultants also reviewed schools' financial conditions and special education compliance. The PCSB spent more than its counterpart—\$33,897 per school—on both in-house personnel and consultants.

The PCSB used fewer services available to the authorizers from D.C. government agencies than the BOE Office of Charter Schools. Unlike the BOE Office of Charter Schools, the PCSB did not use D.C. Public Schools test score analysis to determine if its schools were meeting No Child Left Behind Act standards. However, in April 2005, upon the recommendation of its financial consultants, the PCSB referred one school to the D.C. Inspector General for investigation of certain questionable financial practices.<sup>8</sup> Although the PCSB could refer more cases to D.C. agencies, a PCSB official stated that the PCSB instead tries to resolve all school issues by itself in order to help maintain the organization's independence as an authorizing board.

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## Both Authorizers Spent Their Financial Resources to Support Oversight Activities

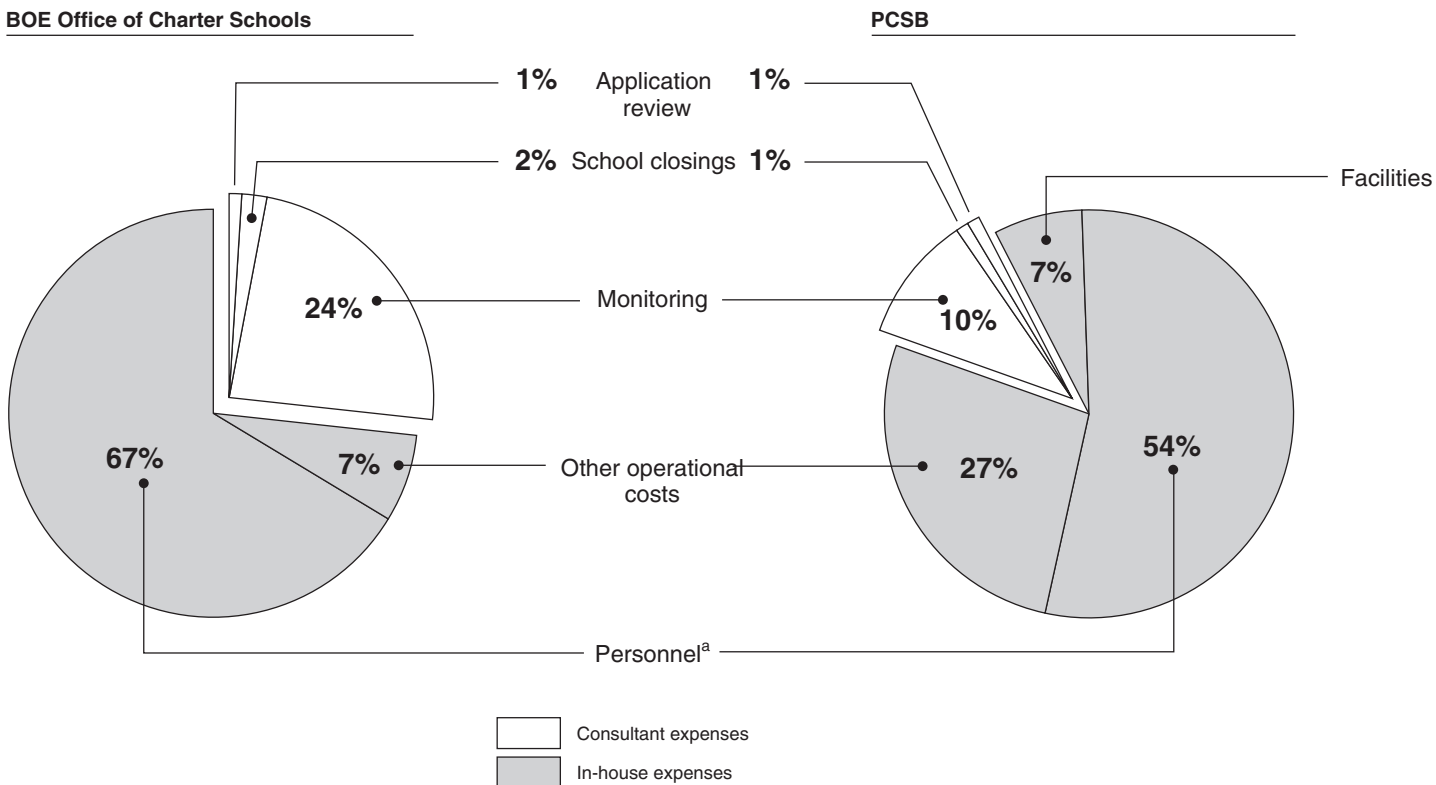
Although the two authorizers differed in terms of revenue available to them, they both used their financial resources to support oversight activities. Both authorizers used their staff and consultants to perform functions such as reviewing applications, monitoring schools, and overseeing school closures, although the costs associated with in-house staff were not separately tracked by the authorizers. For both authorizers,

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<sup>8</sup>We were unable to determine the value of this referral, because information from fiscal year 2005 had not been calculated when we were conducting our audit work for this report.

the majority of their expenses were used to support salaries and benefits for authorizer personnel involved in these activities, and other operational costs, such as conferences and technology. In fiscal year 2004, about three-quarters of the BOE Office of Charter Schools' expenses, and 88 percent of the PCSB's expenses were used in this way (see fig. 4). However, a smaller percentage of the PCSB's expenses were used on personnel and a larger percentage on other operational costs, such as technology, conferences, and books. The PCSB also had to pay for office space, an expense that the BOE Office of Charter Schools did not have to incur as its offices were provided by the BOE.

**Figure 4: BOE Office of Charter Schools and PCSB Expenses, Fiscal Year 2004**



Source: GAO analysis of BOE Office of Charter Schools and PCSB expenses documents.

<sup>a</sup>Both authorizers stated that personnel spent most of their time on activities related to application review, monitoring, and school closings; however, the authorizers were unable to provide personnel expense information for these activities because staff time was not recorded in this manner.

The BOE Office of Charter Schools used a larger percentage of its total expenses for consultants than the PCSB. Consultant fees represented one-quarter of the BOE Office of Charter Schools' total expenses and one-

eighth of the PCSB's in fiscal year 2004. Both used consultants primarily to monitor schools, but both also hired consultants to review applications and help with school closings. For example, both the BOE and PCSB hired consultants to conduct site visits and review schools' academic programs. Expenses for both authorizers in fiscal year 2003 were similar to 2004 expenses, as both authorizers used most of their expenses for personnel and other operational costs. See table 3 for detailed expense information for both authorizers.

**Table 3: Authorizers' Expenses, Fiscal Years 2004 and 2003**

	BOE Office of Charter Schools (unaudited) <sup>a</sup>		PCSB (audited) <sup>b</sup>	
	FY 2004	FY 2003	FY 2004 <sup>c</sup>	FY 2003
<b>In-house expenses</b>				
Personnel	\$307,337	\$294,859	\$610,981	\$472,426
Facilities	0	0	78,416	74,160
Other operational costs <sup>d</sup>	30,857	22,845	309,441	192,010
<b>Subtotal</b>	<b>338,194</b>	<b>317,704</b>	<b>998,838</b>	<b>738,596</b>
<b>Consultant expenses</b>				
Applications	4,000	11,700	15,312	8,248
Monitoring	109,318	78,400	111,839	152,017
School closings	8,184	3,083	7,605	8,755
<b>Subtotal</b>	<b>121,502</b>	<b>93,183</b>	<b>134,756</b>	<b>169,020</b>
<b>Total</b>	<b>\$459,696</b>	<b>\$410,887</b>	<b>\$1,133,594</b>	<b>\$907,616</b>

Source: GAO analysis of data provided by the BOE Office of Charter Schools and PCSB.

<sup>a</sup>The D.C. School Reform Act does not require the BOE Office of Charter Schools to obtain an annual financial statement audit.

<sup>b</sup>The D.C. School Reform Act requires the PCSB to obtain an annual financial statement audit.

<sup>c</sup>PCSB FY 2004 expenses do not include \$142,045, which the PCSB spent as part of a \$1.7 million federal grant to support both the PCSB's and the BOE Office of Charter Schools' efforts to oversee their charter schools' compliance with the No Child Left Behind Act. We did not include this amount because, by mutual agreement, the PCSB has managed the grant, which will benefit both authorizers and their schools.

<sup>d</sup>Other operational costs includes expenses for items such as technology, books, and conferences.

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**Both Authorizers Provided Technical Assistance and Collected Academic, Financial, and Other School Data, but Extent and Level of Oversight Differed**

Both D.C. authorizers provided schools technical assistance and oversight of charter schools by tracking schools' academic achievement and financial condition. Both authorizers provided charter schools with assistance and had similar oversight practices, such as visiting each school at least once annually to assess performance and school operations. However, their approaches to oversight differed. The BOE Office of Charter Schools, staffed with only three employees, provided the same level of oversight to all of its 16 schools and in doing so limited its ability to provide additional assistance to those schools needing more help. Moreover, the BOE, which was also responsible for 167 traditional public schools, did not regularly review information collected by its Office of Charter Schools. BOE board members we interviewed acknowledged that problems were sometimes allowed to go unresolved for too long. By contrast, the PCSB targeted additional oversight on new charter schools and those where problems had been identified.

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**Both Authorizers Provided Schools with Technical Assistance**

Both authorizers provided charter schools technical assistance in several areas. They often integrated technical assistance and monitoring to help schools improve academic and financial programs, identify potential facilities, and apply for facility funding. For example, the BOE Office of Charter Schools helped a school improve its financial condition after its 2003 audit raised questions about the school's financial viability. Specifically, its staff helped the school end a disadvantageous relationship with a school management company and negotiate a lower rent and security deposit for new school facilities. In another case, the BOE Office of Charter Schools obtained a financial operations review from the D.C. Chief Financial Officer in 2003 and a multi-agency school review in 2004 to help a school that was identified as having enrollment and funding problems. The PCSB also integrated technical assistance and monitoring. For example, the PCSB referred a school to several local organizations for help, after the PCSB's 2005 review concluded that the school needed to improve teacher professional development. PCSB has also established a governance project to develop pools of candidates for schools' boards of trustees, created a financial policy manual for charter schools, and provided guidance to help schools address transitional issues as the schools increase enrollment and add grade levels. To help schools address academic deficiencies identified through monitoring, both authorizers have helped schools develop their academic accountability plans.

The BOE Office of Charter Schools and PCSB also helped schools develop school improvement plans to meet No Child Left Behind Act requirements. For example, BOE Office of Charter Schools officials told us that they



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worked with one school to help it create an academic improvement plan and get relevant training for school leadership after the school did not make Adequate Yearly Progress in reading and math under the No Child Left Behind Act in 2005. They also said that they worked with the seven schools identified as needing improvement as a result of not achieving Adequate Yearly Progress in the 2004-2005 school year by identifying actions each school must take to comply with the law, such as developing school improvement plans outlining corrective strategies and offering services such as tutoring. The BOE Office of Charter Schools plans to use its annual monitoring visits to track these schools' progress. For the 13 PCSB schools identified in 2004-2005 as needing improvement as a result of not making Adequate Yearly Progress, the PCSB closed one and has made plans to track schools' improvement efforts through its annual monitoring visits. For example, it has incorporated key questions into its visit protocols in order to measure schools' progress.

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### BOE Collected Data Uniformly from Schools, but Did Not Always Use Information to Address Problems

The BOE Office of Charter Schools provided oversight to charter schools by using a uniform process to collect academic and financial data from all its schools, as well as other information about schools' governance structure and compliance with laws. Specifically, it required each school to submit the same information, such as monthly financial statements, annual student test scores, and teacher information. It also visited each school at least twice a year—once before the school year began to check the school's facilities and operational systems and again during the school year to monitor school performance. At the beginning of the school year, the BOE Office of Charter Schools focused on compliance and governance issues, by checking areas such as school board membership, student record storage, and adequacy of school facilities. In subsequent visits during the school year, the BOE Office of Charter Schools monitored mainly performance information, such as tracking schools' progress in achieving their own academic goals and reviewing school budgets and annual audits.<sup>9</sup>

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<sup>9</sup>As a result of a joint effort by the D.C. Chief Financial Officer, the BOE Office of Charter Schools, and the PCSB, D.C. charter schools were required to select an auditor from an approved list of best-qualified auditors beginning in fiscal year 2005. Until recently, no such requirements existed, and according to BOE Office of Charter Schools and PCSB officials, some schools have on occasion selected auditors who did not prepare audits that met professional audit standards.

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Although the BOE Office of Charter Schools' monitoring approach has enabled it to compile comprehensive data on every school, this approach has limited its ability to focus attention on those schools most in need of the monitoring: new schools and schools considered to be at risk. Because the office has collected the same data from all schools regardless of their years of operation or performance history, the small staff has had to spend considerable time sifting through considerable amounts of data on all schools, while problems at some schools go unaddressed. For example, by visiting all schools at the beginning of every school year—rather than only visiting new schools or schools in new locations—the BOE Office of Charter Schools has dedicated staff resources that could have been focused on higher risk schools. Moreover, according to a BOE Office of Charter Schools official, in the past collecting and reviewing monthly financial statements from all of its schools had been nearly a full-time responsibility. Furthermore, while the BOE Office of Charter Schools has relied on the schools' annual financial statement audits for key information related to financial oversight, it has not developed a system to assign priority to schools whose audits documented ongoing problems. For example, one school's 2002 audit identified weaknesses that made the school vulnerable to an embezzlement.<sup>10</sup> Although this particular weakness was corrected, the 2003 audit showed additional evidence of weak internal controls. When we asked BOE Office of Charter Schools officials whether it was possible to focus oversight on schools like this one, they told us that their practice was to review all schools during the annual monitoring visit to determine whether the issues have been resolved and require a corrective action plan if they have not. Additionally, the BOE Office of Charter Schools generally has not reviewed schools' annual financial statement audits when they were submitted to the office, and instead waited until after the authorizers' financial monitors completed their reviews of the schools. This approach may not allow the BOE Office of Charter Schools to respond in a timely manner to schools with immediate problems and may have contributed to the number of BOE charter schools that closed for financial reasons.

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<sup>10</sup>The school's fiscal year 2002 audit found insufficient documentation of expenses and inadequate internal controls related to check writing policies. The following year, the BOE Office of Charter Schools' financial monitor identified additional weak internal controls, such as improper authorization of cash transfers between bank accounts and untimely reconciliation of bank statements, and reported an embezzlement of \$53,000. BOE Charter School officials told us that the employee involved was fired and prosecuted.

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Even after BOE Office of Charter Schools staff identified problems, resolution was sometimes prolonged. For example, two Board members we interviewed said that timely action was not taken with regard to the Village Learning Center that eventually closed in 2004. According to the BOE Office of Charter Schools' own monitoring reports, this school experienced numerous problems over a period of years, including noncompliance with special education requirements, and failure to pay federal taxes and submit required federal grant performance reports. This school was open for 6 years and was granted three probationary periods totaling 180 days. Of the seven BOE schools whose charters were revoked, four with long-standing problems were allowed to remain open 4 years or more. In two of these cases, the BOE allowed the schools to stay open to give them time to correct their deficiencies.<sup>11</sup> According to two BOE Board members we interviewed, the Board did not regularly review information collected by the BOE Office of Charter Schools and has not always acted upon information it received. They also stated that the BOE has not provided adequate oversight of its charter schools; as one Board member explained, it is easy to think of charter school oversight as a secondary concern to overseeing the public school system as a whole. Furthermore, during our review of the BOE Office of Charter Schools, the BOE had not held regular meetings devoted to charter schools and did not have a committee dedicated to charter school oversight. In October 2005, the BOE approved the creation of a charter school committee. Additionally, our review of BOE minutes showed that charter schools were infrequently discussed at BOE's meetings.<sup>12</sup> According to the BOE Office of Charter Schools Director, BOE Board members devoted some working sessions to charter school oversight issues; however, no minutes were taken of these meetings.

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### PCSB Used Data to Target Additional Monitoring Efforts to Schools Most in Need

The PCSB also monitored schools' financial condition and academic performance but targeted additional monitoring on schools that needed more oversight. To monitor schools' financial performance, the PCSB collected and reviewed school budgets, monthly financial statements, and

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<sup>11</sup>The remaining two schools filed lawsuits to appeal the revocation, and the BOE Office of Charter Schools Director believed that these lawsuits probably accounted for the additional time the schools were allowed to remain open.

<sup>12</sup>We reviewed Board minutes from meetings held between January 2003 and April 2005 and identified only 12 references to the four BOE charter schools we had selected for review. These 12 references involved only two of those four schools.

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annual financial statement audits. To monitor academics, the PCSB visited schools annually and collected and analyzed test scores and other data to track schools' outcomes as measured against their own academic goals and D.C. performance standards. Additionally, the PCSB created an annual compliance review process to track compliance with the No Child Left Behind Act, special education requirements, provisions of the D.C. School Reform Act and other laws. When schools have been identified as being out of compliance, the PCSB has used this process to identify specific actions each school must take to comply with the law, such as developing school improvement plans, offering services such as tutoring, and notifying parents. The PCSB has also monitored issues related to the schools' governance, such as the composition and operation of school boards of trustees, through its annual review of schools' compliance with applicable laws and regulations.

To ensure that new schools or schools identified as at risk receive sufficient oversight, the PCSB has targeted monitoring to ensure that higher-risk schools receive more attention, while lower-risk entities that were operating smoothly received less scrutiny. For example, at the beginning of the school year, the PCSB conducted pre-opening assessments of only new schools and schools opening in new facilities, thereby freeing up staff resources for higher risk schools. The PCSB also provided additional oversight to new schools by conducting a special financial management review of the internal controls of schools in their first year of operation.<sup>13</sup> According to the PCSB, the purpose of this early review was both to assess school compliance and help the schools address issues early in their implementation. Additionally, the PCSB required schools in their first year to prepare a self-study, providing another opportunity for the school to identify challenges that require attention.

The PCSB also applied targeted monitoring to its financial reviews. Schools with demonstrated financial performance have been allowed by the PCSB to submit their financial statements on a quarterly—rather than monthly—basis. The PCSB required schools to return to monthly submissions of financial statements when financial concerns emerged. For example, in October 2004, the PCSB required one school to resume monthly reporting after it failed to submit a financial statement audit that

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<sup>13</sup>Financial management reviews were not completed for new schools in fiscal year 2005 because the PCSB was reviewing its first year monitoring procedures, according to a PCSB official.

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was due in November 2003. Additionally, the PCSB has conducted interim financial reviews of schools where financial problems have been detected through regular monitoring. After identifying a potential budgetary shortfall at one school, the PCSB conducted an interim financial review of the school to assess its financial condition. According to a PCSB official, this review provided the PCSB with the opportunity to make recommendations to the school to reduce its expenses, which helped restore the school's financial condition.

The PCSB also modified its annual and 5-year review processes to highlight or prioritize schools considered at risk. For example, PCSB's annual program review, which has focused on academic performance, labeled some trouble areas as "mission-critical problems," signaling to the school that inadequate improvement in these areas could threaten the school's viability. In one case, the PCSB highlighted a school leader's extended absences as a mission-critical problem that needed to be addressed. Following the PCSB's monitoring report, the school leader resigned, and the school hired a new principal. Furthermore, the PCSB has applied criteria to schools during their 5<sup>th</sup> year of operation to determine whether each school has met the majority of its academic and nonacademic goals.<sup>14</sup> Any school that has not met both its academic and nonacademic goals can be placed on PCSB's "Priority Review List." In May 2004, the PCSB placed one such school on this list—the SouthEast Academy for Academic Excellence—and subsequently revoked its charter. One PCSB official stated that the rationale for using a targeted monitoring approach is to free up more resources for technical assistance.

Although some of its schools have experienced problems, the PCSB's targeted monitoring approach allowed it to identify and provide technical assistance to schools in need of attention, which helped PCSB schools focus on their deficiencies. For example, the PCSB's monitoring reports highlighted one school's need for retaining qualified special education staff as a "mission-critical" problem for 3 consecutive years. In response, the PCSB targeted additional monitoring on this school and worked with the school to develop plans for hiring and training teachers to mitigate the school's special education skills shortfall. The PCSB's targeted monitoring approach also highlighted problems at both of the PCSB's schools that later closed. For example, PCSB monitoring reports show that the

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<sup>14</sup>Nonacademic goals include area such as student attendance, faculty professional development, and parental satisfaction.

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authorizer identified problems, such as noncompliance with special education requirements, noncompliance with its charter, and late financial statement audits, at Associates for Renewal in Education Public Charter School, in the school's second year of operation. The PCSB also identified problems at SouthEast Academy, including the school's inability to implement its own academic improvement plans. In both cases, the PCSB responded by intensifying monitoring and placing the schools on probation, and in the case of SouthEast Academy, revoked the school's charter after it failed to correct identified deficiencies.

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## Authorizers Undertook a Wide Range of Activities When Schools Closed, but the Process Was Not Well Defined

When charter schools have closed, both authorizers undertook a wide range of activities to ensure student records and public assets were safeguarded, parents informed of their children's school options, and closing schools received the assistance they needed; however, issues arose during closings that both found difficult to readily address. Officials from both authorizers stated that closing charter schools was costly, particularly when the closed schools were financially insolvent, and managing student records was the most challenging aspect of school closures. The authorizers' processes for closing all nine schools varied in every instance.

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## When Schools Closed, Authorizers Took Actions to Manage Student Records, Safeguard Public Assets, and Inform Parents

Authorizers used their staff and financial resources to oversee school closings as well as handle closing logistics, such as distributing student records, inventorying assets, and communicating with parents. Authorizer staff inventoried school property, returned assets bought with federal dollars to the U.S. government, and disbursed remaining assets to other non-profit organizations, including existing charter schools. For example, when BOE Office of Charter Schools closed one of its schools, D.C. Public School staff helped the office inventory and dispose of its property. In a case when the closing school was financially insolvent, BOE Office of Charter Schools staff referred its creditors to appropriate parties for repayment. When one of PCSB's schools closed, it hired a contractor to inventory the school's records. Additionally, both authorizers communicated closing procedures to parents and students. BOE Office of Charter Schools officials stated that when charter schools closed, they sent letters to students and spoke with parents about the closure process. When the PCSB closed SouthEast Academy in 2005, GAO staff observed a town hall meeting where PCSB discussed the closure and students' options for moving to another school. However, parents at the meeting still expressed confusion about the closure process and their questions

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about whether the closed school would reopen under new management could not be definitively answered at that time.

### Overseeing School Closures Was Sometimes Costly for Authorizers

Both the BOE and PCSB incurred costs when closing charter schools, particularly for the five schools that were financially insolvent. For example, a PCSB official stated that when PCSB closed the Associates for Renewal in Education Public Charter School, the PCSB spent over \$15,000 from its budget. The authorizers often had to hire additional temporary staff to help with closing logistics. For example, in some instances, the authorizers hired administrators from the closed schools to help transfer records and dispose of inventory, such as textbooks, computers, and desks. BOE Office of Charter School and PCSB staff stated that hiring these school administrators helped make the closing process more efficient because the administrators were knowledgeable of the schools' financial and student record keeping systems, as well as the school staff, parents and students. Four of the nine schools that were closed were financially solvent. In these cases, the authorizers used school resources to help defray the cost of closing. For example, the PCSB used the remaining assets from one closed school to hire a records management company to help collect, transfer, and store student records. Both authorizers also devoted staff resources to school closings. Staff spent time inventorying and dispersing assets, speaking with parents, and dealing with creditors when schools closed.

### Managing Student Records Was the Most Challenging Aspect of School Closings

Both authorizers reported managing and safeguarding student records was the most challenging aspect of closing schools. Authorizers have assumed responsibility for reviewing student records for completeness, collecting records from closing schools, and distributing records to new schools. BOE Office of Charter Schools officials stated that this process can be delayed when student records were missing or were not complete. In some instances, student records may be on teachers' desks or in classrooms rather than in central files, according to BOE Office of Charter Schools officials. Authorizer staff must then find and collect missing records. Student records can also be missing information or contain incorrect data. For example, BOE Office of Charter Schools officials told us that some student records have not included information about the most recent school quarter, while other records contained grade or class information that the students have stated is not correct. BOE Office of Charter Schools officials stated that updating and correcting these records can be difficult as the administrators or teachers with the pertinent information may no longer be available to provide assistance. PCSB officials also cited problems with managing student records. For example, PCSB officials stated that transferring records to new schools has been complicated

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when parents and students were unsure which school they would attend in the fall.

In instances where students were no longer continuing their education, both authorizers had to find a place to store student records. Although D.C. law requires that student records become the property of D.C. Public Schools when a charter school closes, D.C. Public Schools officials stated that they thought responsibility for charter school records belonged to the authorizers. D.C. Public Schools officials nevertheless told the PCSB in September 2005 that they would be able to transfer these records to the D.C. Public Schools central administrative office once this office was ready to receive them. According to PCSB officials, as of November 2005, D.C. Public School officials have not notified them that they are ready to receive these records and therefore the records remain at the PCSB office. Similarly, BOE Office of Charter Schools staff told us that they also kept the records of students who did not continue their education in their office.

Authorizer staff expressed concerns that parents and students could have difficulty locating these records, which they would need if they wished to continue their education or join the military. For example, students—who may have only had contact with school administrators, rather than authorizer staff—might not know which authorizer was responsible for their charter school or how to contact the authorizer when they need to obtain records from a closed charter school.

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### Process for Closing Schools Often Varied with Each Closure

In all nine instances where schools had been closed, neither authorizer has followed a consistent closure process, and each has dealt with issues as they arose on a case-by-case basis. For example, the PCSB recently had to deal with a new closure problem, when for the first time, a charter school was closed that owned rather than leased its facility. PCSB officials expressed concerns that the facility might not remain available to D.C. charter schools, a particular concern as new charter schools have often had difficulty finding adequate space and existing ones have had difficulty acquiring space to expand. In this case, the PCSB established guidance outlining a process by which a closed school could receive petitions from existing charter schools to utilize its facility, and subsequently approved the arrangement reached between schools. BOE Office of Charter Schools and PCSB officials stated that they varied their school closing process based partly on the size and type of school and its financial condition at the time of closing, but such a varied process and the reasons for it may not be evident to parents as they try to think through what they need to do



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to transition their children to other schools. For example, when the BOE has closed schools, its Office of Charter Schools notified parents of the closure through letters and phone calls, while PCSB officials also held a town hall meeting when it revoked a charter. The handling of student records has varied across school closings and could be confusing for parents. When PCSB closed Associates for Renewal in Education Public Charter School, the PCSB hand delivered student records or sent them by certified mail to the new schools. In a few instances, students also collected their records from the PCSB office. However, when SouthEast Academy had its charter revoked, the PCSB hired a record management company to collect and transfer all records using the funds from the closed school. PCSB staff and board members stated that they are hoping to use the SouthEast Academy closure procedures as a model for future school closings. While both authorizers have gained considerable experience with respect to what is required when schools close, neither has put in place a plan that would better guide school closing that would make it more efficient and clear to parents.

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## Conclusions

With over a fifth of its students in charter schools, the District of Columbia has made a significant investment in charter schools. To protect this investment, the authorizers have a responsibility to provide timely oversight that ensures that students' interests are served. However, the two authorizers conducted their monitoring differently, with the PCSB targeting its resources and the BOE Office of Charter Schools generally providing the same level of oversight to all its schools regardless of risk. While both approaches comply with the law's requirements for authorizers, BOE can more effectively focus its resources where possible to oversee charter schools, particularly given its limited staff. Without such targeting, this authorizer may not be well positioned to ensure that its schools receive the assistance they need when they are most at risk.

Additionally, the Board of Education did not have a routine structure or process to ensure that its members regularly reviewed monitoring data for the charter schools under its purview. As a result, the Board has not always reviewed the information before it in time to react effectively and in a timely manner. Although the Board has begun to address this issue by taking steps to create a charter school committee, it is not yet clear that this action will be sufficient to ensure that charter schools receive appropriate attention.

Finally, when charter schools close, it is critical that a transparent process exist to ensure that schools, parents, and students understand their

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options. While each authorizer undertook a wide range of activities when schools closed, no process existed to guide the authorizers, schools, and students through the closing. Lacking such a process, school administrators and parents may not understand what is required and expected of them to ensure a smooth educational transition for students. Additionally, the absence of such a process may result in student records being misplaced or difficult for students to locate in the future, particularly if they do not know which entity authorized their school. Additionally, closing charter schools without a systematic approach may not allow the authorizers to build on previous experience or learn from each other. As a result, an opportunity may be lost to develop a uniform, transparent, and efficient process that protects the interests of all parties.

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## Recommendations for Executive Action

To ensure that D.C. charter schools authorized by the BOE receive appropriate oversight, we recommend that the BOE Office of Charter Schools implement a risk-based oversight system that targets additional monitoring resources to new charter schools and those identified at risk. Additionally, we recommend that the BOE create a routine and timely process to review the monitoring information, including audit reports, collected by its Office of Charter Schools. To help alleviate confusion among parents, students and school administrators following the closure of a charter school and to help the D.C. authorizers close schools efficiently, we recommend that the BOE Office of Charter Schools, the PCSB and D.C. Public Schools establish a routine process when schools close, including, among other things, a system for the secure transfer and maintenance of student records.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the BOE Office of Charter Schools. In her response, the Executive Director of the BOE Office of Charter Schools noted that the BOE was taking actions that would address the recommendations in this report. For example, in response to the first recommendation, the Executive Director stated that the hiring of three new staff members will help focus greater oversight on schools in need. Similarly, in response to the second recommendation, the Executive Director stated that the BOE's newly established committee on charter schools has begun reviewing monitoring data. BOE Board members also provided technical clarifications, which we incorporated as appropriate in this report. In response to Board member comments, we did not change enrollment or school data, because the audited enrollment count and D.C. Public Schools confirmed our initial information was accurate.

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We also provided a draft of this report to the PCSB. The comments of the PCSB Executive Director supported our recommendation that the BOE Office of Charter Schools, the PCSB and D.C. Public Schools establish a routine process for the secure transfer and maintenance of records when schools close. PCSB officials also provided technical clarifications, which we incorporated as appropriate in this report.

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We are sending copies of this report to relevant District of Columbia officials, relevant congressional committees, the Secretary of the Department of Education, and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>. Please contact me at (202) 512-7215 if you or your staffs have any questions about this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other major contributors to this report are listed in appendix IV.



Marnie S. Shaul  
Director, Education, Workforce  
and Income Security Issues

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# Appendix I: Objectives, Scope, and Methodology

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As required by the D.C. Appropriations Act of 2005, we conducted a review of D.C.'s two charter school authorizers, the Board of Education (BOE) and the Public Charter School Board (PCSB). In conducting our analysis, we reviewed the D.C. School Reform Act, as amended, and other applicable federal and District laws and regulations to determine the authorizers' legal responsibilities. To determine how the authorizers used their resources (financial and otherwise), we analyzed the authorizers' budgets and expenses for fiscal years 2003 and 2004. We also examined the authorizers' use of staff resources and D.C. government services. Specifically, we identified the types of services available to the authorizers by D.C. agencies and learned if and how the authorizers used these services. To analyze the authorizers' provision of oversight, we examined monitoring reports, audits and related documentation from 8 of the 42 DC charter schools operating in school year 2004-2005. We selected these schools using nonprobability procedures. In nonprobability sampling, staff selected a sample based on their knowledge of the population's characteristics. We selected schools to ensure that our report was able to address a variety of the issues that the oversight boards faced in their monitoring efforts. Results from this nonprobability sample cannot be generalized to the entire population of schools. GAO also convened two focus groups of charter school administrators (one focus group per authorizer) to substantiate and augment information provided by the authorizers. Finally, we examined the actions the authorizers took to address issues arising from the closure of the nine charter schools that have lost their charters to date. (See below for more information about our budget, monitoring, and closure document analysis and use of focus groups.) We interviewed authorizer staff and board members and officials of District agencies, including D.C. Public Schools, the Office of the Chief Financial Officer, the Office of the D.C. Auditor, and the D.C. Office of the Inspector General. We also interviewed representatives from the D.C. Public Charter School Association and Friends of Choice in Urban Schools, a D.C. charter school advocacy group.

We conducted our work between January and November 2005 in accordance with generally accepted government auditing standards.

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## Analysis of Financial Documents

To analyze the authorizers' resources and to learn how they have used them, we examined the PCSB's and BOE Office of Charter Schools's income and expense statements for fiscal years 2003 and 2004. We analyzed the income statements to determine the proportion of income each board derived from various sources. Additionally, through interviews with authorizer staff, we identified income that was carried over from the

previous fiscal year, which was not specifically labeled as such. We analyzed expenses and categorized these expenses into similar groupings for comparability purposes. We compared these data with projected budgets for corresponding fiscal years to identify differences. Finally, we reviewed the PCSB's financial statement audits for these fiscal years. While the D.C. School Reform Act explicitly requires the PCSB to obtain an annual financial statement audit, the Act contains no such requirement for the BOE Office of Charter Schools. As a result, we used unaudited financial information from the BOE Office of Charter Schools.

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## Analysis of Monitoring Documents

To obtain information about the processes both authorizers used to monitor charter schools after they had opened, we examined monitoring documentation for eight charter schools—four from each authorizer. These eight schools were selected for variation in the date the schools opened, grades served, and the schools' history of probation or sanctions. Additionally, in selecting the 8 schools, we considered whether or not the charter school had gone through the 5-year review process, targeted a special needs population, and had achieved Adequate Yearly Progress in math or reading as required by the No Child Left Behind Act, and chose schools for variation in these areas. While our nonprobability selection of 8 of the 42 D.C. charter schools does not allow GAO to generalize results to all 42 charter schools, our sampling procedures helped ensure that GAO was able to address the full assortment of issues that the oversight boards faced in their monitoring efforts. Once the schools were selected, we requested the authorizers provide us with all monitoring documents, including documentation of pre-opening visits, annual monitoring site visits, annual audited financial statements, and documentation of any sanctions placed on the school.<sup>1</sup> We examined these documents to learn how the BOE and PCSB monitored academics, finances, school governance and compliance with applicable laws and regulations. For each of these areas, we examined the types of deficiencies the authorizers identified at the schools and how the authorizers ensured deficiencies were corrected. We analyzed this information on a year-by-year basis to identify trends in how the BOE and PCSB monitored schools and addressed problems. We also reviewed Board minutes from monthly meetings held between January 2003 and April 2005 to learn information

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<sup>1</sup>In a limited number of instances, some school documentation was not provided. In these instances, we followed up by phone and e-mail with the authorizers, who confirmed for us that they no longer had all monitoring documentation for every school.

about how the BOE and PCSB address charter school problems at board meetings. We also used this information to learn more about specific issues at D.C.'s charter schools.

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## Focus Groups

We also used focus groups to obtain the opinions and insights of D.C. charter school principals and other school officials regarding PCSB and BOE oversight efforts. Focus groups are a form of qualitative research in which a specially trained leader, the moderator, meets with a small group of people who have similar characteristics and are knowledgeable about the specific issue. The results from the discussion groups are descriptive, showing the range of opinions and ideas among participants. However, the results cannot serve as a basis for statistical inference because discussion groups are not designed to (1) demonstrate the extent of a problem or to generalize results to a larger population, (2) develop a consensus for an agreed-upon plan of action, or (3) provide statistically representative samples with reliable quantitative estimates. The opinions of many group participants showed a great deal of consensus, and the recurring themes provide some amount of validation.

We conducted two focus groups—one with school leaders from schools overseen by PCSB and one with school leaders from schools overseen by BOE. We invited all of the eight schools whose monitoring documents had been assessed by GAO to attend their respective focus groups. In addition, we invited representatives from a random selection of the remaining charter schools (those whose monitoring documents were not assessed by GAO) to gather information from additional schools. Attendance on the part of invited participants was voluntary. We had three participants from three different schools at each of our two focus groups for a total of six schools participating. A trained focus group moderator led the discussions. We developed a discussion group guide to assist the moderator in leading the discussions. A transcription service recorded and then transcribed the conversations.

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## Analysis of Documentation from Closed Charter Schools

To determine the actions the authorizers have taken when D.C. charter schools closed, we examined documentation from the seven charter schools closed by the BOE and the two closed PCSB charter schools—one voluntarily and one through charter revocation. In each instance, we reviewed the monitoring documentation for each of the closed schools to determine how the authorizers had identified and reacted to problems at the schools. We reviewed Board minutes to determine if and when sanctions were placed on the schools and how the schools responded to

these disciplinary actions. We reviewed revocation documentation, including school and authorizer correspondence, school appeals, and minutes from Board meetings when revocations were discussed. Additionally, we analyzed the authorizers' budget documents to determine how the authorizers used their financial resources to close schools. We reviewed D.C. Public School policies for closing schools and compared these policies with the authorizers' school closure procedures. We attended a town hall meeting organized by the PCSB for parents of a charter school that was being closed to observe how the authorizer's staff and school administrators communicated closure information to students and parents. Finally, we interviewed one school administrator from a school that had its charter revoked to learn about the closure process from the school's perspective.

# Appendix II: Comments from the D.C. Board of Education



## DISTRICT OF COLUMBIA BOARD OF EDUCATION PUBLIC CHARTER SCHOOLS OFFICE

825 NORTH CAPITOL STREET, NE  
WASHINGTON, DC. 20002  
(202) 442-5197 Office (202) 442-5636 Fax  
Web: [www.dcoecharters.org](http://www.dcoecharters.org)

October 27, 2005

Ms. Marnie Shaul, Director  
Government Accountability Office  
441 – G Street N.W.  
Washington, D.C. 200548

Dear Ms. Shaul;

The District of Columbia Board of Education and the Board of Education Office of Charter Schools would like to commend the monitoring team that conducted the "D. C. CHARTER SCHOOLS: Strengthening Monitoring and Process When Schools Close Could Improve Accountability and Ease Student Transitions" (GAO-06-73) report. We found the team to be very professional, courteous and most efficient.

Per your request, below are comments and or corrections that the Board of Education and the Office of Charter Schools have in regard to: "D. C. CHARTER SCHOOLS: Strengthening Monitoring and Process When Schools Close Could Improve Accountability and Ease Student Transitions" (GAO-06-73).

### **From the Office Charter Schools:** Comments on the GAO's RECOMMENDATIONS:

1. **Report orally to the BOE/Committee on Charter Schools** all findings from annual monitoring reports to eliminate any future possibility of members being unaware of the "state of their schools" or what improvements are needed. It also propels the condition of schools that are doing well.. This would be a scheduled monthly committee meeting and a part of the master calendar.
2. Provide a **copy of the manual** for the monitoring process that **would be listed on the website**, this manual would be delineated to emphasize steps taken for **low achieving /at-risk schools**.  
[NOTE: **Development Checklist for New Charter Schools ALREADY EXISTS**]
3. Implement **mandatory quarterly training** for Boards of Trustee members of charter schools.

### **Additional comments:**

- Page 3 - "BOE members said they did not regularly review information collected by the Office of Charter Schools. {See the recommendation #1 as a solution} Page 19 comments on BOE allowing problems to go unresolved. {Recommendation #1 is a solution to that also.}



- Page 4 - Implement a “risk-based” oversight system that targets resources to new charter schools or those identified at risk. GOOD POINT! However, to forego successful schools will ultimately put them at risk. “What gets monitored gets done!” (Old principal’s motto!!) BOE charter schools have faired better in SY 2004-05 because each has a comprehensive compliance review. I’m betting SY 2005-06 will be EVEN BETTER for the same reason. I concur that greater oversight to “needy” schools is a relevant recommendation and this will be accomplished now that the Office of Charter Schools has 3 new staff members
- Page 8 - The monitoring reports on JOS-ARZ became the foundation for the Inter-Agency monitoring team. The information was accurate, reliable and immediate for two consecutive years. School Improvement Plan was provided for internal corrective action. The process allowed the school to receive technical assistance and bring in an outside management team to help with improvements.
- Page 13 - Note the comment about the BOE spending 16% less than PCSB on in-house personnel and consultants, though it was further noted that comprehensive information is available to the BOE. Thus it should be noted that the BOE Office of Charter Schools was able to more with less.
- Page 18 - I acknowledge that one quarter of the office of charter schools budget was spent on consultant fees. The staffing chart on page 15 supports the reason BOE has to pay for more consultants. The oversight office has been understaffed and under funded yet in linking this to the comment on page 13 about still spending 16% less than PCSB and yet providing an intensity of monitoring, as shown on page 19 that illustrates the BOE Office of Charter Schools, staffed with only 3 employees, provided the same level of oversight to ALL of its schools.
- Page 20 - “... provided schools with technical assistance.” I think it should be noted that technical assistance included a major “Principals Institute” where all schools where involved in an intensive two-week training. This training included, Instructional Leadership:
  - ✓ Defining the role of the principal – establishing the relationship of mission/vision/goals; substantiate knowledge of teaching and learning
  - ✓ Alignment of curriculum & instructional assessment
  - ✓ Creating a design for high performing schoolsOperational Leadership:
  - ✓ Strategic thinking & planning
  - ✓ Data driven decision making
  - ✓ Implementing the Education/Business/Accountability Plans
- Page 28 - GOOD POINT, students and parents should know who is the “chartering authority.” This is a point that each school could make. For example, in their literature or advertisement, the name of the school could be identified as ABC ACADEMY (Authorized by the District of Columbia Board of Education)
- Page 29 - Conclusions: The BOE’s ad hoc committee on charter schools has been structured through a resolution of the Board’s committee of the whole. The ad hoc committee has held two meetings and has started reviewing monitoring data.

**From the Executive Director to the Board of Education:**


“The decision to increase the number of staff allocated the Office of Charter School Oversight was not made in response to the GAO audit. The increase was included in the requested budget prior to GAO commencement of work”. Please make certain that this is corrected in the GAO final report.

**From a Member of the Board of Education:**

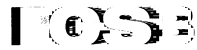
- Page 5 & 6 - Last sentence reads - the Board of Education oversees both the 167 traditional public schools that enrolled about 59,000 students. *Recommended Change to - the Board of Education oversees both the 146 traditional public schools that enrolled about 61,000 students*
- Page 13 - This page gives a comparison between the Board of Education and the Public Charter School Board in terms of numbers and percentages. However, only the Board of Education numbers are listed. *Recommended Change to - list numbers for both the Board of Education and the Public Charter School Board, this will provide the reader with comparison data as they are reading.*
- Page 23 - First paragraph, 9th sentence reads - In September 2005, the Board of Education included consideration of the creation of a charter school committee on its calendar. *Recommended Change to - In October 2005 the Board of Education established a charter school committee. \*This phrase can replace the existing one or add to it.*

The Board of Education Office of Charter Schools would like to thank you for your assistance in improving educational outcomes for the children of the District of Columbia.

Sincerely,

  
Brenda L. Belton, Ph.D.  
Executive Director

# Appendix III: Comments from the PCSB



District of Columbia **Public Charter School Board**

November 1, 2005

Marnie S. Shaul  
Director, Education, Workforce,  
and Income Security Issues  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Shaul:

Thank you for providing the D.C. Public Charter School Board (PCSB) the opportunity to review the draft of your report, *DC Charter Schools: Strengthening Monitoring and Process When Schools Close Could Improve Accountability and Ease Student Transitions*. We found the report to be thorough in its scope and the findings to accurately reflect the status of our oversight practices. In particular, the finding related to school closures clearly demonstrates the need for both authorizers and the District of Columbia Public Schools to establish a process for the handling of student records that will meet the needs of children, their families, and all schools.

The attached document outlines the technical comments we have as a result of the review. Other minor comments were provided orally to Ms. Tamara Fucile, Analyst in Charge.

Sincerely,

A handwritten signature in cursive script that reads "Josephine C. Baker".

Josephine C. Baker  
Executive Director

Attachment

# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Marnie Shaul (202)512-7215, shaulm@gao.gov

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## Staff Acknowledgments

Sherri Doughty, Assistant Director, and Tamara Fucile, Analyst in Charge, managed this assignment and made significant contributions to all aspects of this report. Christopher Morehouse also made significant contributions, and Carlos Hazera, Walter Vance, and Shannon VanCleave aided in this assignment. In addition, Richard Burkard and Shelia McCoy assisted in the legal analysis, Julie Phillips assisted with the financial analysis, and Tovah Rom and Rachael Chamberlin assisted in the message and report development.

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# Related GAO Products

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*Charter Schools: Oversight Practices in the District of Columbia.* [GAO-05-490](#). Washington, D.C.: May 19, 2005.

*Charter Schools: To Enhance Education's Monitoring and Research, More Charter School-Level Data Are Needed.* [GAO-05-5](#). Washington, D.C.: January 12, 2005.

*No Child Left Behind Act: Education Needs to Provide Additional Technical Assistance and Conduct Implementation Studies for School Choice Provision.* [GAO-05-7](#). Washington, D.C.: December 10, 2004.

*District of Columbia's Performance Accountability Report.* [GAO-04-940R](#). Washington, D.C.: July 7, 2004.

*Charter Schools: New Charter Schools across the Country and in the District of Columbia Face Similar Start-Up Challenges.* [GAO-03-899](#). Washington, D.C.: September 3, 2003.

*Public Schools: Insufficient Research to Determine Effectiveness of Selected Private Education Companies.* [GAO-03-11](#). Washington, D.C.: October 29, 2002.

*DCPS: Attorneys' Fees for Access to Special Education Opportunities.* [GAO-02-559R](#). Washington, D.C.: May 22, 2002.

*District of Columbia: Performance Report Reflects Progress and Opportunities for Improvement.* [GAO-02-588](#). Washington, D.C.: April 15, 2002.

*Title I Funding: Poor Children Benefit though Funding per Poor Child Differs.* [GAO-02-242](#). Washington, D.C.: January 29, 2002.

*District of Columbia: Comments on Fiscal Year 2000 Performance Report.* [GAO-01-804](#). Washington, D.C.: June 8, 2001.

*Charter Schools: Limited Access to Facility Financing.* [GAO/HEHS-00-163](#). Washington, D.C.: September 12, 2000.

*Charter Schools: Federal Funding Available but Barriers Exist.* [GAO/HEHS-98-84](#). Washington, D.C.: April 30, 1998.

*Charter Schools: Issues Affecting Access to Federal Funds.* [GAO/T-HEHS-97-216](#). Washington, D.C.: September 16, 1997.

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